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SUMMARY

In August 1999 Portugal qualified for the U.S. Visa Waiver Program, entry of Portuguese visitors in the U.S. increased from 6.8% in 1998 to 18.3% in 1999.

In the post-Expo year, 1999, major players in the tourism industry feared a decrease in tourism in Portugal. That didn't happen, in 1999 visitor entry in Portugal increased from 26.5 million to over 27 million.

Portugal occupies a total area of 92,985 Km², of which 88,944 Km² are mainland Portugal and the remainder are the Madeira and Azores Islands. The population Portugal is around 10 million inhabitants. The climate in mainland Portugal is characterized by humid winters, and relatively dry summers. In the Algarve region (southern Portugal), the winters are more moderate and sunny, with hot summers. The moderate and mild weather and the beautiful and diversified landscape in Portugal makes tourism one of its largest industries.

Traditionally the Portuguese population takes a vacation at least once a year. The preferred

months are July, August and September and the Christmas season. By law the Portuguese work force is allowed to take 22 working days vacation.

In 1999 a total of 5.4 million people, 71% of Portugal's mainland population, living in mainland Portugal, over 15 years of age, enjoyed a vacation away from home, either in Portugal or outside Portugal.

DGT-Direccao Geral de Turismo, the Tourism Department of the Secretary of State for Commerce and Tourism, in conjunction with the National Statistical Institute, prepares a detailed annual report of the vacation trends of the Portuguese population. Statistical data throughout the report were obtained from Direccao Geral de Turism and from TIA-Travel Industry Association.

The most restrictive reasons for not traveling inside or outside the country are by far economic reasons, followed by professional reasons.

A. MARKET HIGHLIGHTS & BEST PROSPECTS

1. Market Profile

Portugal is a country with a strong tourism industry with a wide range of tourism facilities and excellent white sand beaches to offer both to foreigners and Portuguese.

In 1998, the year of World Expo, Portugal was visited by around 26.5 million visitors of which 11.6 million were tourists. Although major players in the sector feared a significant decrease in 1999, the "post-Expo" year, it is estimated that 1999 exceeds that value to over 27 million tourists. During 1998 each tourist that visited Portugal remained for an average of 7 nights and spent around USD 75 per day.

Presently, there are a total of 1,772 hotels, motels, tourism apartments and resorts; 569 agro/rural tourism lodging units; 183 camping parks totaling an area of 870.9 acres; and 50 youth hostels. In January 2000, the total number of travel agencies was 1162, of which 722 are headquarters and 440 are branches. The latest statistical data on the number of restaurants is dated 1996. At that time, Portugal had a total of 35,633 restaurants and similar facilities (i.e. cafes, bars, bakeries, etc.)

In 1999 49% of the population took a vacation inside or outside Portugal, compared to 42% in 1998. The highest percentage ever of Portuguese travelers to foreign destinations occurred in 1999, with a total of 823 thousand people travelling to foreign destinations - an increase of 56% from 1998. The preferred destinations are: **Europe:** Spain 52%, France 11% and England 5%; **Africa:** best preferred continent after Europe, with 8% of the travel; **Brazil** with 7%; and the **USA** with 4%.

TABLE I: Vacations spent away from home in the in the past 3 years

	1997	1998	1999
-Vacations in Portugal	88%	89%	91%
-Vacations outside Portugal	13%	17%	22%

The sum of the holidays in and outside Portugal is over 100%, as some of the Portuguese spent their holidays both in Portugal and abroad.

The economic structure is, undoubtedly, the most important factor when it comes to traveling. People who earn more have the opportunity to travel more not only in Portugal but also to foreign countries. Below is a table by socio-economic distribution of the Portuguese people who took a vacation in the past three years.

TABLE II: It Takes Money to Travel – Percent of Income Groups Taking a Vacation

Socio-Economic Group	1997	1998	1999
High / medium high	79%	89%	96%
Medium superior	63%	76%	87%
Medium Inferior	51%	66%	75%
Low	17%	32%	38%

In 1999 a Portuguese person on vacation spent an average of USD 33 day if they stayed in-country and around USD 55 if they were outside the country (Exchange rate: USD 1=PE 200. These figures do not include accommodation).

2. Market Trends

The preferred destination in-country in 1999 was Lisbon and the surrounding areas followed by the Algarve in southern Portugal where the beaches are vast and the water is warm. The north central part of Portugal is also becoming popular.

Portuguese vacation trends are changing. Portuguese tend to visit places outside Portugal. As the economy grows (3.4% GDP in 2000), consumers wish to travel more. Since Portugal qualified for the U.S. Visa Waiver Program, in August 1999, travel to the U.S. has increased. From 1997 to 1998, tourism from Portugal to the U.S. increased by 6.8 percent.

Although traveling to foreign countries reached its maximum average in 1999, European countries are still in the first tier. Tour operators and travel agents play an important role when it comes to suggesting holiday destinations - Mexico, Cuba, Dominican Republic, Brazil, Tunisia, Turkey and the U.S. have had very good promotions and are starting to become popular. There are 1162 total travel agencies (including headquarters, branches and implants) throughout Portugal. Most of the tour operators have travel agencies. Travel

agent services are sought more often by the Portuguese, particularly in the cases where the holidays are spent away from home. Most Portuguese make their travel arrangements two months or less ahead of the departure date.

3. Visitor Profile

Age, residential area and social status are a few of the factors that influence vacation tendencies in Portugal. Age is a very important factor for the traveling community - the younger sector of the population is the one that travel most as shown in the table below. This is due in part to the special reduced tariffs from which the younger generation benefits. 1999 figures are not yet available.

TABLE III: Age distribution

AGE DISTRIBUTION	1997	1998	1999
Under 34	65%	74%	not available
From 35 to 44	55%	66%	"
From 45 to 54	41%	57%	"
From 55 to 64	34%	49%	"
Over 64	14%	31%	"

People living in larger and more populated cities or areas tend to travel more. Information and services cover a wider range of the population and this group of inhabitants is better informed. They are the ones that use the services of travel agents more often -- be it for reservation of accommodations and/or transportation only, or for buying complete travel packages. Living in larger cities is also more tiring and saturating thus these people value the rest/relaxation in a vacation more than other people living in calmer and quieter regions as shown in the table below.

TABLE IV: Location distribution

Location Distribution	1998	1999
Lisbon	70%	89%
Algarve (south)	46%	47%
Oporto (north)	47%	44%

4. Best Sales Prospects

Beach vacations are the Portuguese travelers' main preference. If the tourist stays in Portugal, Lisbon and surroundings is now in first place with 32% and the Algarve in southern Portugal is now in second place with 28%. If traveling abroad, Spain is ranked first

with a vast number of tourists traveling to the Canary and Balearic Islands. Spain is followed by Turkey, Tunisia, Morocco and Malta.

Portuguese inbound travel to the United States, increased 18.3% from 1998 to 1999 compared to 6.8 increase from 1997 to 1998. This increase is mainly due to the visa waver program to which Portugal qualified in August 1999. In 1999 Portugal was ranked 46th in entries into the U.S. New York, Florida, New England and California are the preferred destinations for the Portuguese in the U.S. There are large concentrations of Portuguese emigrants in the New York, New Jersey, New England and California. Florida offers good summer resorts and theme parks to which the Portuguese like to travel.

B. COMPETITIVE ANALYSIS

1. Domestic Tourism

The main reason for going on vacation is the need for physical rest; second, the need to enjoy the sun and the beach and being away from the everyday environment; and third to learn about different cultures and to meet new people.

The Portuguese working population is entitled to a total of 22 working days of vacation per year. August, July and September are the top vacation months. From 1996 there has been a change in the tendency to take the vacation in one slot. In 1996 94% - most people prefer to split it into two periods, one in summer and one in winter.

In 1999 the Lisbon area was ranked the number one tourism destination in Portugal, 32% of the traveling population spent their vacation in Lisbon and surrounding areas. The Algarve, in southern Portugal was ranked second (28%), the Oporto region and the northwest coast ranked third (17%).

Generally Portuguese workers take two to three weeks of leave during the summer months and remainder in December and other periods. It is also common that Portuguese make long weekend getaways at least once a month. Specially, if a public holiday should fall on a Thursday or a Tuesday, they take advantage of that situation and make a "bridge" - thus taking four days to getaway to a different environment. The beach is by far the preference of most getaways, followed by ecological/country side environments.

2. Barriers

Of several reasons for not going on vacation - economic reasons are by far the most prevalent (51% in 1998). Professional reasons come second (25% in 1998). Among others, are personal or family health problems, other family problems, not having a job, being retired.

Other barriers include difficulty in choosing the perfect destination - many Portuguese depend on the travel agent to give them suggestions and a good package at a good price. Of the 619 thousand people that took a vacation in 1999, had it not been for doubts in choosing an outside destination, around 88% might have traveled to destinations outside Portugal - as opposed to the previous year where only 48% expressed that interest. The restrictions named by the surveyed people for not traveling abroad are mainly high accommodation and transportation fares.

C. END USER ANALYSIS

Portuguese tourists like to spend when on vacation. In average, a Portuguese taking a vacation outside Portugal, in addition to accommodation, spends around USD 40.00 per day per person on food and miscellaneous products. Shopping is a must when on vacation. There are no figures available on how much is spent per traveler when on vacation.

For the Portuguese tourist vacations are a consumer habit. They like to eat at good restaurants and visit attractions. The preferred activities when on vacation are:

- 1) 71% - rest and personal care, regenerate body and mind
- 2) 38% - outdoor / beach activities
- 3) 16% - meeting different cultures
- 4) 16% - visit attractions and see theater shows

In 1999, 16% of the people taking vacation used a travel agent. The use of travel agencies increases every year. The travel agent plays an important role in planning vacations and suggesting interesting destinations. In 1999 bookings for travel to foreign destinations accounted for around 62% of the travel agent's services, compared to 55% the previous year. However, the Portuguese are also using these services for in-country accommodations. People living in large cities, Lisbon and Porto, in the age group 14 to 35 are the ones using these services most often. The principle advantages of using the travel agent are show in the table below:

TABLE V: Travel Agency Advantages

TRAVEL AGENT ADVANTAGES	1997	1998	1999
Time saving	57%	40%	not available
Comfort factor	57%	68%	"
Reasonable prices	22%	20%	"
Guarantee of quality	17%	12%	"

D. MARKET ACCESS

The highest percentage ever of Portuguese travelers to foreign destinations occurred in 1999, with a total of 823 thousand people travelling to foreign destinations - an increase of 56% from 1998.

When traveling outside Portugal, Portuguese people like to buy full packages that include transportation fare, accommodation and guided tours. It is a Portuguese habit to leave everything to the last-minute therefore many times they are unable to travel to the chosen destination because everything is fully booked. In the past couple of years some tour operators and travel agents, in an attempt to change this trend, have offered special prices to those booking their vacations 2-3 months in advance.

The media, travel agents and tour operators have a major influence in promoting specific countries as holiday destinations outside Portugal among end-users. State and local travel and tourism offices should work closely with the U.S. airlines, hotels and other holiday resorts in order to arrange attractive packages to promote European travel to the U.S.

Commercial Service Programs

In an effort to increase tourism from Portugal to the USA, the Commercial Service Portugal is working closely with Portuguese travel market players and media to generate interest among Portuguese travelers to visit the USA.

This year we are organizing a **VISIT USA SEMINAR** directed to tour operators and travel agents. American tour operators and tourism offices are encouraged to contact CS Lisbon to learn more about this event that is scheduled for mid-September 2000.

The next Lisbon Tourism Fair, in January 2001, we are planning to have an American Pavilion with booths for interested American tourism companies.

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